

## Processing

*The student has accurately prepared a FIFO inventory card.*

## Describing elements of the entity's inventory subsystem

### Extracts

There are two inventory systems which are called perpetual and periodic. A perpetual inventory system requires the business to keep a running record at any time. This is the school's system. I know this because Miss H can look at how much stock she has on hand at any time on the programme she uses which is called MYOB. A periodic system means the business does not know how much stock she has on hand unless they do a stock take by hand.

1

The uniform shop uses MYOB to record the quantities of stock they have on hand. It also records the price of the item in MYOB.

In regards to stock levels, the uniform shop has a perpetual inventory system. If the uniform shop starts to run out of stock, Miss H has to request an order number when necessary. This is if the order is over \$500. Miss H has to request this from the executive officer, Mrs R.

1

Ensure adequate levels of inventory are maintained at all times:  
The uniform shop meets the objective of sensibly re-ordering quantities of stock. It does not meet the objective of putting one person in charge of ordering because Miss H is in charge of everything.

2

Ensure prompt and accurate processing of purchase requisitions and orders of inventory:

The uniform shop meets this objective half way. This is because Miss H is in charge of everything and only one person should be in charge of purchase requisitions.

Ensure that all orders of inventory are legitimate and properly authorised:  
The uniform shop meets this goal because Miss H needs an authorisation/signature for orders over \$500.

### *Discussion of documentation and records objectives omitted from this exemplar*

To minimise the likelihood and amount of obsolete inventory:  
The uniform shop half meets this objective. The oldest stock isn't rotated and placed at the front of the shelves. I would recommend this, and this is called the FIFO system. Miss H is in charge of everything. To meet the objective, only one person should be in charge of this. I would recommend hiring more staff.

2

To ensure prices of inventory purchases are quoted prior to purchase and the best value is sought:

The uniform shop meets this criteria as the school has a five year contract with the uniform supplier. This means the uniform buying price will remain the same.

To implement adequate internal controls to prevent errors and fraud, or to be able to identify problems in the inventory system:

The uniform shop half meets this criteria as there is no security option if fraud happens. I would recommend the school places security cameras throughout the uniform shop and outside of the shop.

To provide relevant and accurate information for decision making in relation to the inventory:

The uniform shop meets this objective as every bit of documentation is filed and updated regularly.